SUPREME COURT, U.S.
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No. 06-

IN THE

Supreme Court of the United States

AU-TOMOTIVE GOLD, INC.,

Petitioner,

v.

VOLKSWAGEN OF AMERICA, INC.;
AUDI OF AMERICA, INC.;
VOLKSWAGEN AKTIENGESELLSCHAFT;
AUDI AKTIENGESELLSCHAFT,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

RICHARD S. PRICE, II
Counsel of Record
1235 N. Harbor Boulevard
Suite 200
Fullerton, CA 92832
(714) 871-1132

H. KENNETH KUDON
KUDON LAW
Two Old Creek Court
Potomac, MD 20854
(301) 279-5634

Counsel for Petitioner

206238

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

QUESTIONS PRESENTED

Observing that consumers buy products bearing well known trademarks and logos "for the appeal of the mark itself," the court below said that "[t]he Supreme Court has yet to address aesthetic functionality as it applies to logos and insignias . . ." Therefore, this case presents the following key questions of federal trademark law that remain unsettled by this Court.

1. Whether the aesthetic functionality test of *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995) permits the use of a distinctive logo or trademark as a product feature?

2. Whether courts should accommodate the use of a trademark or logo for source-identity by one party and for aesthetically functional purposes by another where reasonable steps have been taken to eliminate confusion?

PARTIES TO THE PROCEEDINGS

Petitioner Au-Tomotive Gold, Inc. was the plaintiff/appellee in the proceedings in the court below. Volkswagen of America, Inc., Audi of America, Inc., Volkswagen Aktiengesellschaft, Audi Aktiengesellschaft and Continental Enterprises were the defendants/appellants in those proceedings. Volkswagen Aktiengesellschaft and Audi Aktiengesellschaft also were counterclaim plaintiffs in the District Court.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, petitioner Au-Tomotive Gold, Inc., an Arizona corporation, has no parent company and no publicly held company owns 10% or more of its stock.

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Petitioner Au-Tomotive Gold, Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The opinion of the Court of Appeals is reported as *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.* at 457 F.3d 1062 (9th Cir. 2006). It is reproduced in Appendix A at P.A. 1a.[1] The opinion of the District Court granting summary judgment in favor of Petitioner is unreported and is reproduced in Appendix E at P.A. 50a. Subsequent related and unreported rulings of the District Court and its Judgment are reproduced at P.A. 35a, 37a and 41a.

JURISDICTION

The Court of Appeals' judgment was entered on August 11, 2006. A timely petition for rehearing *en banc* was denied on October 26, 2006. P.A. 59a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The statutes that are relevant to this case are 15 U.S.C. §§ 1114(1)(a), 1125(a) and 1127 which are reproduced in the Appendix beginning at P.A.61a.

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1. The Appendix to this Petition is cited as "P.A. [*page*]."

INTRODUCTION

This case presents in a stark and direct fashion an important question of federal trademark law that has not been settled by this Court. As the court below put it: "[t]he Supreme Court has yet to address aesthetic functionality as it applies to logos and insignias . . ." P.A. 16a. The issue involves products that are ubiquitous in our economy[2] and has spawned numerous opinions which, as the court below concedes, "do not easily weave together a coherent jurisprudence." P.A. 11a.

Indeed, the Ninth Circuit acknowledged in this case that "famous trademarks have assumed an exalted status of their own in today's consumer culture" beyond their historic function of designating source, and also observed that consumers buy products bearing marks such as the Nike "swoosh," the Playboy bunny, the Mercedes tri-point star and sports franchise logos "for the appeal of the mark itself *without regard to whether it signifies origin or sponsorship of the product.*" P.A. 10a (emphasis added). Despite this, the court found that such products—here, car accessories bearing Volkswagen and Audi trademarks—are neither aesthetic nor functional because the "consumer demand [for these items] is difficult to quarantine from the source identification and reputation-enhancing value of the trademarks themselves." P.A. 24a.

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2. It is no stretch of the imagination to say that car accessories, baseball caps, pennants, football jerseys, patches, tee-shirts, buttons, coffee mugs, and dozens of other products bearing unauthorized distinctive trademarks, logos or likenesses are almost everywhere the eye can see.

The Ninth Circuit's approach conflicts with this Court's understanding of the aesthetic functionality doctrine. Granting full trademark protection to the functional use of a trademark disturbs the careful balance that this Court has sought to maintain between the interest of trademark owners and consumers in source-identification, on the one hand, and the marketplace's interest in open competition, on the other.

Should the Lanham Act accommodate both interests? The answer is yes. Where the trademark or logo is being used both functionally and for source-identification, and effective competitive alternatives are unavailable, functional use of the mark or logo should be allowed. The consequences of prohibiting such functional use are palpable. Granting a trademark's owner a "monopoly over its use, including its functional use," *see International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 919 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981), "inhibit[s] legitimate competition by allowing a producer to control a useful product feature." *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 170 (1995).

STATEMENT OF THE CASE

Au-Tomotive Gold, Inc. ("AuGOLD") produces and sells automobile accessories to complement specific makes of cars. Since the 1990s, AuGOLD has manufactured and distributed decorative license plates, license plate frames, and key chains displaying Volkswagen and Audi trademarks.[3] P.A. 4a. The packaging in which AuGOLD sells its products conspicuously states that AuGOLD is the product's

3. The Volkswagen logos are authentic medallions purchased from a Volkswagen dealer. P.A. 5a.

manufacturer. Answering Brief of Appellee, p. 10. All products are accompanied by disclaimers that deny any connection to Volkswagen or Audi. P.A. 5a. AuGOLD sells its products to the wholesale market. Volkswagen and Audi, through a licensee, sell similar products directly to consumers. *Id.*

Consumers want these products to accessorize or "dress up" their cars, *i.e.* to match the chrome on their cars; to put something on the empty space where the front license tag would otherwise go; or because the car is a Volkswagen or Audi, they want a Volkswagen or Audi-logo plate. *Id.*

A unique market exists for these products. At least five companies in the United States including AuGOLD have manufactured or marketed such products for Volkswagen and Audi cars. The products do not compete against similar products displaying, *e.g.* sports teams or colleges, and they typically command a higher price. Answering Brief of Appellee, p. 12.

AuGOLD brought a declaratory judgment action against Volkswagen and Audi in the United States District Court for the District of Arizona in 2001, seeking a judgment that its activities did not constitute trademark infringement or trademark counterfeiting under 15 U.S.C. § 1114, unfair competition under 15 U.S.C. § 1125(a), or trademark dilution under 15 U.S.C. § 1125(c). Volkswagen and Audi filed counterclaims for trademark infringement under 15 U.S.C. § 1114(1)(a) and false designation of origin under 15 U.S.C. § 1125(a). P.A. 6a. Upon completion of discovery, AuGOLD moved for partial summary judgment seeking a declaratory judgment that certain products do not infringe or counterfeit the Volkswagen and Audi trademarks and do not unfairly

compete. Volkswagen and Audi moved for summary judgment on all claims. P.A. 7a.

The district court found that the marks were protected under the aesthetic functionality doctrine and, therefore, granted AuGOLD's motion for partial summary judgment, denied the motion for summary judgment filed by Volkswagen and Audi, and entered an order declaring that AuGOLD's products are not trademark infringements and/or trademark counterfeiting. P.A. 7a. In addition to finding evidence of no actual confusion and that AuGOLD conspicuously placed its own name on its products and packaging and indicated that its products were not manufactured or licensed by Volkswagen or Audi (P.A. 30a, 55a), the district court found that:

> VW and Audi logos are used not because they signify that the license plate or key ring was manufactured or sold (*i.e* as a designation of origin) by Volkswagen or Audi, but because there is a[n] aesthetic quality to the marks that purchasers are interested in having.

P.A. 7a.

Volkswagen and Audi appealed the ruling to the Ninth Circuit which found that the district court's interpretation of aesthetic functionality was a distortion and the "the death knell for trademark protection," P.A. 2a-3a; that "[i]n practice, aesthetic functionality has been limited to product features that serve an aesthetic purpose wholly independent of any source-identifying function." P.A. 23a.

The Ninth Circuit went on to say that where the product feature itself is a logo, it generally has no function apart from its association with the trademark owner. As AuGOLD's "use of Volkswagen and Audi marks [was] neither aesthetic nor independent of source identification"; rather, the alleged aesthetic function [was] indistinguishable from and tied to the mark's source-identifying nature," the Ninth Circuit held that the use did not satisfy the standard of *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. at 169, requiring "a significant non-reputation related disadvantage." P.A. 23a-24a.

Accordingly, upon finding that AuGOLD's use of the marks resulted in "a likelihood of confusion," the Ninth Circuit reversed the declaratory judgment for AuGOLD, the denial of Volkswagen and Audi's motion for summary judgment, and found that Volkswagen and Audi had made a prima facie case for trademark infringement. P.A. 34a.

REASONS FOR GRANTING THE PETITION

This Court should grant certiorari for three reasons. First, under a proper reading of this Court's precedents, aesthetically functional use of a trademark or logo as a product feature, where effective competitive alternatives are unavailable, should be permitted. Secondly, the issue raises an important question of federal trademark law that has not been settled by this Court relating to a product feature that is ubiquitous in our economy and has spawned countless cases with differing and conflicting results. Third, the Circuits are divided and confused as to the scope and application of the aesthetic functionality doctrine. Specifically, review would give the Court the opportunity to clarify (a) the circumstances, if any, in which aesthetically functional use of a distinctive trademark or logo is permissible under the Lanham Act and (b) the meaning of "a significant non-reputation related disadvantage."

A. THE DECISION BELOW CONFLICTS WITH THIS COURT'S PRECEDENTS.

1. The Court Below Found That Aesthetic Functionality and Source Identity Are Mutually Exclusive.

Early in its opinion, the Ninth Circuit recognized that consumers buy products bearing famous marks for the appeal of the mark itself without regard to whether it signifies origin or sponsorship of the product; in other words, for functional reasons. P.A. 10a.

Out of concern that the aesthetic functionality doctrine could negate all trademark protection ("the death knell for trademark protection"), however, the Ninth Circuit found that aesthetic functionality and source identification are mutually exclusive. Defining the words "aesthetic" and "beautiful" synonymously, the Ninth Circuit said that "the use of Volkswagen and Audi's marks is neither aesthetic nor independent of source identification." "[C]onsumers want 'Audi' and 'Volkswagen' accessories, not beautiful accessories." "The demand for Auto Gold's products is inextricably tied to the trademarks themselves." P. A. 24a.

Accordingly, the Ninth Circuit found no need to inquire into whether AuGOLD was at a "significant non-reputation-related competitive disadvantage." Because the court below regarded AuGOLD's use of the Volkswagen and Audi trademarks as inextricably interwoven with the carmakers' reputations, any disadvantage to AuGOLD was perforce "reputation-related." *Id.*

2. The Ninth Circuit's Finding That Aesthetic Functionality and Source-Identity Are Mutually Exclusive Exemplifies A Common Theme Among Courts That Have Rejected The Doctrine.

The Ninth Circuit's finding that aesthetic functionality and source-identification of well-known logos or marks are mutually exclusive exemplifies a common theme among courts that have rejected the doctrine. *See, e.g., Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 1247 (6th Cir. 1991), *cert. denied*, 505 U.S. 1219 (1992) (replicas of Ferrari sports cars) *Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769, 774 (9th Cir. 1981) (handbags); *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1013 (5th Cir.),), *cert. denied*, 423 U.S. 868 (1975) (hockey team patches); *Ford Motor Co. v. Lloyd Design Corp.*, 184 F. Supp. 2d 665, 673 (E.D. Mich. 2002) (floor mats); *BMW of N. Am., Inc. v. Au-Tomotive Gold, Inc.*, 1996 U.S. Dist. LEXIS 22828, 1996 WL 1609124 (M.D. Fla. 1996) (license plates); *Dr. Ing. h.c.F. Porsche AG v. Universal Brass*, 1995 U.S. Dist. LEXIS 7079, 1995 WL 420816, 34 U.S.P.Q.2d (BNA) 1593 (W.D. Wash. 1995) (license plate frames).

3. A Finding That Source-Identity and Aesthetic Functionality are Mutually Exclusive Undermines the Fundamental Purposes of the Doctrine.

The above courts' understanding of the aesthetic functionality doctrine undermines the fundamental purpose of the doctrine as this Court articulated it in *Qualitex*. Aesthetic functionality, like utilitarian functionality, is supposed to limit a product manufacturer's exclusive control over product features essential to effective competition that are already known or believed to be source-identifying, in order to prevent a perpetual monopoly over the feature. It is a truism that the issue arises only when a party asserts its entitlement to trademark rights over a product feature.

Ruling out applicability to such product features decimates the doctrine. In practical effect, the product feature is necessarily subjected, as it was in the court below, to a wooden application of the traditional "likelihood of confusion" standard, with the result practically preordained. P.A. 33a (strength of the marks, exact copying and direct competition for a limited group "weigh heavily in favor of a likelihood of confusion"). *See also University of Georgia Athletic Asso. v. Laite*, 756 F.2d 1535, 1540 (11th Cir. 1985) and *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 27 (1st Cir. 1989).[4] The natural result is that trademark owners are granted a monopoly over products bearing their marks which

4. It is relevant to note that even though it held registered trademarks, the NFL responded to a copier's argument that its use of the marks on tee-shirts and other articles was functional by performing a survey to prove that its trademarks had secondary meaning and their use by others would cause confusion. *National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651, 657 (W.D. Wash. 1982).

consumers buy "for the appeal of the mark itself" without inquiry into (a) whether the use of such marks signifies origin or sponsorship to relevant consumers and (b) the availability of effective competitive alternatives.

4. The Aesthetic Functionality Doctrine Enunciated in *Qualitex* Should Apply to Trademarks and Logos Used as the Feature of a Product Consumers Want.

While this Court has not yet addressed "aesthetic functionality as it applies to logos and insignia" (P.A. 16a), the doctrine should be equally applicable to a logo serving as the product feature "which constitutes the actual benefit that the consumer wishes to purchase." P.A. 21a. The Court said in *Qualitex* that "if a design's 'aesthetic value' lies in its ability to 'confer a significant benefit that cannot practically be duplicated by the use of alternative designs,' then the design is functional [and] [t]he ultimate test of aesthetic functionality . . . is whether the recognition of trademark rights would significantly hinder competition." *Qualitex*, 514 U.S. at 170.

Thus, the Court fashioned what has become known as the "competitive necessity" test: whether the exclusive use of the feature would put competitors at a "significant non-reputation related disadvantage;" if it would, then it should be denied trademark protection. *Qualitex*, 514 U.S. at 165; *Traffix Devices v. Mktg. Displays*, 532 U.S. 23, 33 (2001).

In *Qualitex*, this Court considered whether a distinctive green-gold color used on dry-cleaning press pads could be protected as a trademark. The Court observed that color can be a trademark if it is a source-identifier and held that the plaintiff's color acted as a source-identifier. The Court made

clear, however, that the functionality doctrine protects against a defendant being competitively disadvantaged if its use of the alleged trademark was functional; that is, if others found a competitive need for the color in order to compete in the product. 514 U.S. at 168.

Significantly, this Court acknowledged that the pads simultaneously acted as a source-identifier and also served a non-trademark function—to avoid noticeable stains on the pads. Yet, the Court in *Qualitex* did not abruptly stop its analysis there. Rather, the Court countenanced inquiry into whether there was a competitive need for the color, observing that "the federal courts have demonstrated that they can apply this doctrine in a careful and reasoned manner, *with sensitivity to the effect on competition*" *Qualitex*, 514 U.S. at 169-70 (citing, *inter alia*, *Deere & Co. v. Farmhand, Inc.*, 560 F. Supp. 85, 98 (S.D. Iowa 1982), *aff'd* 721 F.2d 253 (8th Cir. 1983) (*per curiam*)). (Emphasis added).

5. The Determinative Question in Aesthetic Functionality is Whether the Product Feature is Necessary to Effectively Compete.

The Court's citation to *Deere* has great significance for this case. In *Deere*, the court found that the defendant's coloring of its farm equipment to match the "John Deere Green" of plaintiff Deere's equipment was aesthetically functional because farmers want to have matching equipment. The court stated that "the determinative question on the issue of functionality is whether protection against imitation will hinder the competitor in competition." *Id.*

6. A Definition of "Reputation-Related" That Swallows the Very Intrinsic Uses for Which the Aesthetic Functionality Doctrine was Created is Overbroad and Erroneous.

"John Deere Green" is arguably as strong an identifier of Deere farm machinery to farmers as the VW logo is an identifier of Volkswagen cars to consumers, suggesting that just because a product feature is both source-identifying *and* aesthetically functional does not support rejection of the aesthetic functionality doctrine. This Court's citation to *Deere* also tends to dispel the correlative notion, accepted by the Ninth Circuit, that "any disadvantage Auto Gold claims in not being able to sell Volkswagen or Audi marked goods is tied to the reputation and association with Volkswagen and Audi." P.A. 24a.

Clearly, just as a group of car owners here wants "accessories [bearing Volkswagen and Audi logos] to match their cars" (P.A. 29a), farmers wanted loaders colored Deere Green to match their Deere tractors. So, it could as well have been said in *Deere* that "any disadvantage [the defendant farm equipment manufacturer] claims in not being able to sell [Deere Green colored] goods is tied to the reputation and association with [Deere]."

Assuming that *Deere's* analysis of aesthetic functionality is the correct one, however, any definition of "reputation-related" that swallows the very intrinsic uses for which the aesthetic functionality doctrine was created is overbroad and erroneous. Source-identification is the exclusive role of a trademark. 15 U.S.C. § 1127. Thus, "reputation-related" should narrowly refer to a copier's exploitation of the mark's reputation for quality or prestige as opposed to its intrinsic appeal to consumers.

Deere is one of numerous decisions that have found the doctrine applicable where a mark is used both for source-identification and for purposes of compatibility or allegiance. *See Supreme Assembly, Order of Rainbow for Girls v. J. H. Ray Jewelry Co.*, 676 F.2d 1079, 1083 n.5 (5th Cir. 1982) *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d at 918[5]; *Unique Sports Prods., Inc. v. Babolat VS*, 403 F. Supp. 2d 1229, 1235 (N.D. Georgia 2005); *Acoustics Dev. Corp. v. Phillips & Brooks/Gladwin Corp.*, 1993 U.S. Dist. LEXIS 15500, 29 U.S.P.Q.2d (BNA) 1688 (W.D. Mo. 1993); *Bi-Rite Enterprises, Inc. v. Button Master*, 555 F. Supp. 1188, 1195 (S.D.N.Y. 1983); and *University of Pittsburgh v. Champion Products*, 566 F. Supp. 711, 721 (W.D. Pa. 1983).

7. The Lanham Act Accommodates Trademark use for Source-Identity by one Party and for Aesthetically Functional Purposes by Another Where Reasonable Steps Have Been Taken to Eliminate Confusion.

Reluctance of some courts to accept the aesthetic functionality doctrine stems at least in part from the fashion in which courts analogize aesthetic functionality to utilitarian functionality. If a product feature is considered to serve a utilitarian function, then all trademark rights to that product feature are lost, even if consumers have come to consider the product feature source-identifying. *See Qualitex*, 514 U.S. at 164; *Traffix*, 532 U.S. at 29.

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5. In *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir. 1980), the court indicated that the emblem would serve as a trademark if "the typical customer . . . also inferred from the insignia that the jewelry was produced, sponsored or endorsed by Job's Daughters." Such survey-type evidence was not presented in this case.

Such a draconian result, however, need not apply in the aesthetic functionality setting. In *Supreme Assembly, Order of Rainbow for Girls* and *International Order of Job's Daughters*, *supra*, both of which involved "collective" marks,[6] the courts recognized and permitted the defendants' functional use of the marks but did not enjoin the plaintiffs from use of their marks. Similarly, in a case involving the functional use of the Ford trademark, the court developed a standard under which copiers might use a mark for functional purposes without eliminating all of the trademark owners' rights.

In *Plasticolor Molded Products v. Ford Motor Co.*, 713 F. Supp. 1329 (C.D. Cal. 1989), *vacated by consent*, 767 F. Supp. 1036 (C.D. Cal. 1991), the defendant produced floor mats bearing Ford's trademarks. 713 F. Supp. at 1334. The Honorable Alex Kozinski, sitting in the district court by designation, devised a "middle ground" approach. Only where likelihood of confusion exists at point-of-sale or the alleged infringer has not taken reasonable steps to eliminate post-sale confusion would the mixed use constitute trademark infringement. 713 F. Supp. at 1340. The Ninth Circuit subsequently adopted Judge Kozinski's formulation in *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F. 2d 1510, 1532 n. 10 (9th Cir. 1992), and such a "middle ground" approach also was taken by the district court in this case.

In sum, the Ninth Circuit erred in finding that source-identification and aesthetic functionality were mutually exclusive rendering unnecessary any inquiry into AuGOLD's

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6. In *International Order of Job's Daughters*, 633 F.2d at 914 n. 2, the court noted the statutory distinction between a collective mark and a trademark but indicated that it made no difference in that case.

competitive disadvantage from exclusive use of the mark by Volkswagen and Audi. Under this Court's understanding of the aesthetic functionally doctrine, it is submitted, whether the copier is using the mark for a source-identifying or functional purpose is the first factual inquiry. If the latter, the court next inquires factually whether the copier can effectively compete through the use of alternative designs. If the copier cannot effectively compete without the mark, copying should be permitted in the interest of avoiding a perpetual monopoly that Congress did not provide for in the Lanham Act.

B. THE CIRCUITS ARE DIVIDED AND CONFUSED.

The court below was not the first to comment on the lack of coherence of jurisprudence on aesthetic functionality in the lower courts. *See* P.A. 11a. In *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619 (6th Cir. 2002), the court also noted the division in the circuits concerning aesthetic functionality:

> For quite some time, the circuits have disagreed about the most appropriate theory of functionality to use in aesthetic functionality cases. Courts have divided between those recognizing the identification theory . . . and the competition theory . . . (Citation).

Abercrombie & Fitch, 280 F.3d at 641 n.16.

There have been four decisions by circuit courts in which the aesthetic functionality doctrine was applied to products displaying trademarks or logos, three of them in the Ninth Circuit. The Ninth decided that the doctrine permitted

functional use of jewelry displaying a fraternal insignia in *International Order of Job's Daughters*, *supra*, limited the doctrine in *Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*, *supra*, as to a virtual copy of the Louis Vuitton handbag, and emasculated the doctrine in this case by making it impossible, as a practical matter, to separate source-identity from aesthetic functionality.

The Fifth Circuit initially rejected aesthetic functionality in *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, *supra*, holding that a copier's hockey team patches perforce indicated source. Subsequently, it upheld the use of jewelry bearing a fraternal insignia in *Supreme Assembly, Order of Rainbow for Girls*, *supra*, under a modified likelihood of confusion standard that closely resembled the standard applied in *International Order of Job's Daughters*.

More recently, however, in cases that did not address the use of trademarks or logos as aesthetic product features, the Fifth Circuit rejected the aesthetic functionality standard all together in favor of employing the test for utilitarian functionality. *See, e.g. Pebble Beach Co. v. Tour 18 I, Ltd.*, 155 F.3d 526, 540 n.6 (5th Cir. 1998) ("[t]his circuit has rejected the doctrine of aesthetic functionality").

The Third Circuit has expressly rejected the doctrine. *See American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1142 (3d Cir. 1986) (ruling that a feature must "have a significant relation to the utilitarian function of the product before it [can] be declared functional").

Along with the Third, Fifth and Ninth Circuits, the Federal Circuit also has declined to recognize the doctrine.

Decades ago the court rejected the theory that functionality extends beyond its utilitarian origins to include aesthetic issues, *In re Mogen David Wine Corp.*, 328 F.2d 925 (C.C.P.A. 1964), and recently in *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1276 n.4 (Fed. Cir. 2002), the court previewed its attitude towards the doctrine when it noted in *dicta* that:

> *TrafFix* suggests that there may be a requirement under *Qualitex* to inquire into a "significant non-reputation-related disadvantage" . . . , because aesthetic functionality was 'the central question involved in *Qualitex*.' (Citation). This statement has been criticized because 'aesthetic functionality was not the central question in the *Qualitex* case.'(Citation).

The Sixth Circuit in *Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, reviewing a case involving Ferrari kit replicas, followed its earlier precedent that "aesthetic functionality will not preclude a finding of nonfunctionality where the design also indicates source." *Id.* at 1247. More recently, in *Abercrombie & Fitch*, *supra*, the Sixth Circuit adopted this Court's "competitive necessity" test, yet confusingly endorsed the Seventh Circuit's criticism of the "identification theory" (which would deem functional a design with two equally important purposes, one to please consumers and the other to identify the manufacturer). *See W.T. Rogers Co. v. Keene*, 778 F.2d 334, 341-43 (7th Cir. 1985).

Although *Abercrombie & Fitch* did not address the use of a distinctive trademark or logo as a product feature so the issue was not before it, the Sixth Circuit appears poised to

limit the aesthetic functionality doctrine, as it has in the past, to product features that serve an aesthetic purpose wholly independent of any source-identifying function.

The Second, Eighth and Eleventh Circuits, by contrast, have left open the possibility that a logo or trademark serving as a product feature can be both source-identifying and used for aesthetically functional purposes. In *Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76 (2d Cir. 1990) the Second Circuit said that ". . . where an ornamental feature is claimed as a trademark and trademark protection would significantly hinder competition by limiting the range of adequate alternative designs, the aesthetic functionality doctrine denies such protection." (Citation). 916 F. 2d at 81.

In *Deere & Co. v. Farmhand, Inc.*, as seen, the Eighth Circuit affirmed a decision in which Deere's competitors were allowed to color their loaders "John Deere green" as it was necessary in order to effectively compete. And, in *Dippin' Dots, Inc. v. Frosty Bites Distrib., LLC*, 369 F.3d 1197 (11th Cir. 2004), *cert. denied*, 543 U.S. 1054 (2005), the Eleventh Circuit recently recognized the aesthetic functionality doctrine, adopted this Court's "competitive necessity" test and also noted that "functionality is intended to preserve competition within the narrow bounds of each *individual* product market (citation) (emphasis in original)." 369 F.3d at 1203 n.7.

As this discussion shows, the federal circuits are divided and confused as to the scope and applicability of the aesthetic functionality doctrine. A decision by this Court articulating workable standards for aesthetic functionality in the setting

in which it most frequently appears in our economy—as distinctive trademarks and logos on products such as car accessories and sports clothing to name just a few—would provide needed clarity to an issue that has spawned countless cases and plainly affects the careful balance that this Court has sought to maintain between the interest of trademark owners and consumers in source-identification, on the one hand, and the marketplace's interest in open competition, on the other.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

RICHARD S. PRICE, II
Counsel of Record
1235 N. Harbor Boulevard
Suite 200
Fullerton, CA 92832
(714) 871-1132

H. KENNETH KUDON
KUDON LAW
Two Old Creek Court
Potomac, MD 20854
(301) 279-5634

Counsel for Petitioner

APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT FILED AUGUST 11, 2006

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 04-16174

AU-TOMOTIVE GOLD, INC.,

Plaintiff-Appellee,

v.-

VOLKSWAGEN OF AMERICA, INC.;
AUDI OF AMERICA, INC;
VOLKSWAGEN AKTIENGESELLSCHAFT;
AUDI AKTIENGESELLSCHAFT,

Defendants-Appellants.

Appeal from the United States District Court
for the District of Arizona
William D. Browning, District Judge, Presiding

D.C. Nos. CV-01-00162-WDB, CV-01-00508-WDB

Argued and Submitted
February 14, 2006—San Francisco, California

Filed August 11, 2006.

Appendix A

Before: Arthur L. Alarcón and M. Margaret McKeown, Circuit Judges, And H. Russel Holland,* Senior District Judge.

Opinion by Judge McKeown

OPINION

McKEOWN, Circuit Judge:

This case centers on the trademarks of two well-known automobile manufacturers—Volkswagen and Audi.[1] The question is whether the Lanham Act prevents a maker of automobile accessories from selling, without a license or other authorization, products bearing exact replicas of the trademarks of these famous car companies. Au-Tomotive Gold, Inc. ("Auto Gold") argues that, as used on its key chains and license plate covers, the logos and marks of Volkswagen and Audi are aesthetic functional elements of the product—that is, they are "the actual benefit that the consumer wishes to purchase"—and are thus unprotected by the trademark laws.

Accepting Auto Gold's position would be the death knell for trademark protection. It would mean that simply because a consumer likes a trademark, or finds it aesthetically

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* The Honorable H. Russel Holland, Senior District Judge for the District of Alaska, sitting by designation.

1. The actual parties are Volkswagen of America, Inc., Audi of America, Inc., Volkswagen Aktiengesellschaft, and Audi Aktiengesellschaft (collectively "Volkswagen and Audi").

pleasing, a competitor could adopt and use the mark on its own products. Thus, a competitor could adopt the distinctive Mercedes circle and tri-point star or the well-known golden arches of McDonald's, all under the rubric of aesthetic functionality.

The doctrine of aesthetic functionality has a somewhat checkered history. In broad strokes, purely aesthetic product features may be protected as a trademark where they are source identifying and are not functional. On the other hand, where an aesthetic product feature serves a "significant non trademark function," the doctrine may preclude protection as a trademark where doing so would stifle legitimate competition. *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 170, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995). Taken to its limits, as Auto Gold advocates, this doctrine would permit a competitor to trade on any mark simply because there is some "aesthetic" value to the mark that consumers desire. This approach distorts both basic principles of trademark law and the doctrine of functionality in particular.

Auto Gold's incorporation of Volkswagen and Audi marks in its key chains and license plates appears to be nothing more than naked appropriation of the marks. The doctrine of aesthetic functionality does not provide a defense against actions to enforce the trademarks against such poaching. Consequently, we reverse the district court's grant of summary judgment in favor of Auto Gold on the basis of aesthetic functionality. We also reverse the denial of Volkswagen and Audi's motion for summary judgment with respect to infringement and dilution and remand for further proceedings.

Appendix A

Background

Volkswagen and Audi are manufacturers of automobiles, parts and accessories that bear well-known trademarks, including the names Volkswagen and Audi, the encircled VW logo, the interlocking circles of the Audi logo, and the names of individual car models. The marks are registered in the United States and have been in use since the 1950s.[2]

Auto Gold produces and sells automobile accessories to complement specific makes of cars, including Cadillac, Ford, Honda, Lexus, Jeep, Toyota, and others. In 1994, Auto Gold began selling license plates, license plate frames and key chains bearing Volkswagen's distinctive trademarks and, in 1997, began selling similar products bearing Audi's distinctive trademarks. The marks used are exact replicas of

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2. A registered mark is "prima facie evidence . . . of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration." 15 U.S.C. § 1115. The Volkswagen marks were originally registered in the United States in 1965 for products ranging from automobiles and a host of automobile accessories, to a long list of other goods such as medical spittoons, waterskis, credit card services, and teddy bears. Volkswagen recently secured registration for its trademarks with respect to some of the specific product lines at issue in this case. These registrations were pending during the proceedings below; we take judicial notice of their issuance. *See, e.g.*, Registration No. 2,849,974 (June 8, 2006); Registration No. 2,835,662 (April 27, 2004); Registration No. 2,987,620 (Aug. 23, 2005). Audi registered its trademarks for automobiles and a host of other products, including key fobs, in 1986. *See* Registration No. 1,416,583 (Nov. 11, 1986). Other than the recently registered marks, the marks are incontestable. 15 U.S.C. § 1065.

the registered trademarks or, in at least some cases, genuine trademark medallions purchased from Volkswagen dealers; Auto Gold states that it "applies authentic [Volkswagen and Audi] logos to its marquee license plates."

According to Auto Gold, its goods serve a unique market. Consumers want these accessories "to match the chrome on their cars; to put something on the empty space where the front license tag would otherwise go; or because the car is a [Volkswagen or Audi], they want a [Volkswagen or Audi]-logo plate." Both Auto Gold and Volkswagen and Audi serve this market. Auto Gold sells its license plates, license plate covers, and key rings with Volkswagen and Audi trademarks to the wholesale market, including car dealers, auto accessory dealers and other merchants. Volkswagen and Audi, for their operations in the United States, license an independent marketing firm to sell license plates, covers, and key chains directly to consumers.

Auto Gold has license and marketing agreements with several car manufacturers, authorizing sales of auto accessories bearing those companies' trademarks. Despite several attempts to secure similar arrangements with Volkswagen and Audi, Auto Gold is not authorized to sell products with their trademarks. Instead, Auto Gold products are accompanied by disclaimers that deny any connection to Volkswagen or Audi. The disclaimers are not visible once the product is removed from the packaging and in use, nor are the disclaimers always clear. For example, some labels state that the product "may or may not" be dealer approved, and Auto Gold's website identifies its goods as "Factory authorized licensed products."

Appendix A

In the mid-1990s, another car maker aggrieved by unauthorized sales of trademarked accessories sued Auto Gold for trademark infringement and obtained an injunction prohibiting Auto Gold from selling any products that incorporate replicas of its registered marks. *See BMW of North America, Inc. v. Au-Tomotive Gold, Inc.*, 1996 WL 1609124 (M.D.Fla., June 19, 1996). Fearful that the decision would invite further trademark claims, Auto Gold filed suit against Volkswagen and Audi in the District of Arizona in 2001. Auto Gold's complaint sought a declaratory judgment that its activities did not constitute trademark infringement or trademark counterfeiting under 15 U.S.C. § 1114, unfair competition under 15 U.S.C. § 1125(a), or trademark dilution under 15 U.S.C. § 1125(c). Auto Gold also included claims for interference with prospective economic advantage and trade libel.

Volkswagen and Audi filed counterclaims for trademark infringement under 15 U.S.C. § 1114(1)(a); false designation of origin under 15 U.S.C. § 1125(a); trademark dilution under 15 U.S.C. § 1125(c); consumer fraud under the Arizona Consumer Fraud Act; tortious interference with contract; tortious interference with business expectancy; trademark counterfeiting under the Arizona Consumer Fraud Act; and a request for declaratory judgment as to all claims.

From this point, the case became a maze of counterclaims, stipulated dismissals, and new complaints. This procedural morass was made all the more complicated when some of Volkswagen and Audi's complaints migrated from the original counterclaim to a separate complaint that was later consolidated with the original action. After

discovery, Auto Gold filed a motion for partial summary judgment seeking a declaratory judgment that its products do not infringe or counterfeit the Volkswagen and Audi trademarks and do not unfairly compete. Auto Gold's primary argument was that its products were lawful under the "first sale" doctrine. In response, Volkswagen and Audi filed a motion for summary judgment on their trademark infringement, trademark dilution, and unfair competition claims.

In ruling for Auto Gold, the district court found that "[t]he VW and Audi logos are used not because they signify that the license plate or key ring was manufactured or sold (i.e., as a designation of origin) by Volkswagen or Audi, but because there is a[n] aesthetic quality to the marks that purchasers are interested in having." Concluding that the marks were "protected under the aesthetic functionality doctrine," the district court granted Auto Gold's motion for partial summary judgment, denied the motion for summary judgment filed by Volkswagen and Audi, and entered an order declaring that Auto Gold's "license plates, license plate frames and key chains displaying Volkswagen and Audi trademarks . . . are not trademark infringements and/or trademark counterfeiting."

After supplemental briefing identifying the remaining claims, the district court held that the parties had stipulated to dismiss the trademark dilution claim without prejudice.[3]

3. The record does not contain any record of a stipulation to dismiss the dilution claim. Volkswagen and Audi argued to the district court that they did not dismiss, but rather inadvertently forgot to include the claim in a later pleading.

Appendix A

Volkswagen and Audi moved for leave to amend the complaint to include a dilution claim, which the district court construed as a request for leave to file a second amended counterclaim. The district court denied the motion, holding that amendment would be futile because Volkswagen and Audi could not prevail on the merits of the claim. The court declined to rule on Auto Gold's "first sale" defense. All remaining claims were dismissed with prejudice. On the basis of its previous rulings, the district court enjoined Volkswagen and Audi from enforcing their trademarks against Auto Gold or its customers.

On appeal, Volkswagen and Audi ask us to (1) reverse the district court's grant of summary judgment and declaratory relief in favor of Auto Gold, (2) reverse the district court's dismissal of their counterclaims, (3) reverse the district court's denial of their motion for summary judgment, and (4) remand for entry of summary judgment with respect to trademark infringement and trademark dilution.

Analysis

The central question before us, discussed in Part I, is the scope of the doctrine of the "aesthetic functionality" and its application to the Volkswagen and Audi trademarks as they appear on Auto Gold's products. Part II discusses Volkswagen and Audi's trademark infringement claims, and Part III addresses the trademark dilution claim.

Appendix A

I. Aesthetic Functionality

A. Trademark Law and Aesthetic Functionality

A trademark is a "word, name, symbol, or device" that is intended "to identify and distinguish [the mark holder's] goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods." 15 U.S.C. § 1127. A valid, registered trademark entitles the holder to prevent others from using the mark where (1) "such use is likely to cause confusion, or to cause mistake or deceive," 15 U.S.C. § 1114(1)(a) (so-called "trademark infringement"), or (2) "such use . . . causes dilution of the distinctive quality of the mark," 15 U.S.C. § 1125(c)(1) (so-called "trademark dilution").

The principal role of trademark law is to ensure that consumers are able to identify the source of goods. *Qualitex*, 514 U.S. at 164, 115 S.Ct. 1300. Protecting the source-identifying role of trademarks serves two goals. First, it quickly and easily assures a potential customer that *this* item—the item with the mark—is made by the same producer as other similarly marked products. At the same time, the law helps "assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product." *Id.; see also Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 873 (9th Cir.1999).

A functional product feature does not, however, enjoy protection under trademark law. *See Qualitex*, 514 U.S. at 164, 115 S.Ct. 1300. The Supreme Court has instructed that

a feature is functional if it is "essential to the use or purpose of the article [or] affects [its] cost or quality." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n. 10, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982). The *Inwood Laboratories* definition is often referred to as "utilitarian" functionality, as it relates to the performance of the product in its intended purpose. Thus, "[t]he functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature." *Qualitex*, 514 U.S. at 164, 115 S.Ct. 1300.

Extending the functionality doctrine, which aims to protect "useful" product features, to encompass unique logos and insignia is not an easy transition. Famous trademarks have assumed an exalted status of their own in today's consumer culture that cannot neatly be reduced to the historic function of trademark to designate source. Consumers sometimes buy products bearing marks such as the Nike Swoosh, the Playboy bunny ears, the Mercedes tri-point star, the Ferrari stallion, and countless sports franchise logos, for the appeal of the mark itself, without regard to whether it signifies the origin or sponsorship of the product. As demand for these marks has risen, so has litigation over the rights to their use as claimed "functional" aspects of products. *See, e.g., Vuitton et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769 (9th Cir.1981) (reversing and remanding for trial a district court determination that the Louis Vuitton logo and trademarked purse material were functional); *Boston Prof. Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir.1975) (holding that reproductions of

professional hockey franchise's logo sold alone are not "functional" and can be protected); *Ford Motor Co. v. Lloyd Design Corp.*, 184 F.Supp.2d 665 (E.D.Mich.2002) (holding that a car maker's trademarks are not functional aspects of defendant's car accessories).

The results reached in these various aesthetic functionality cases do not easily weave together to produce a coherent jurisprudence, although as a general matter courts have been loathe to declare unique, identifying logos and names as functional. To understand how the concept of functionality applies to the case before us, broad invocations of principle are not particularly helpful. Instead, we find it useful to follow the chronological development and refinement of the doctrine.

The doctrine of aesthetic functionality is often traced to a comment in the 1938 Restatement of Torts:

> When goods are bought largely for their aesthetic value, their features may be functional because they definitely contribute to that value and thus aid the performance of an object for which the goods are intended.

Restatement of Torts § 742, comment a (1938) (*see* Restatement 3d of Unfair Competition, § 17 (1995)). Two examples of products with aesthetic functional features were offered, with very little comment—a heart-shaped candy box and a distinctive printing typeface.

Nearly fifteen years later, the doctrine blossomed in *Pagliero v. Wallace China Co.*, an action by Wallace China, a manufacturer of vitrified china, to prohibit a competitor from using a series of decorative patterns and a corresponding list of names. *See* 198 F.2d 339 (9th Cir.1952). Neither the patterns nor the names were covered by registered trademarks or patents; instead, Wallace claimed secondary meaning, primarily that customers associated the patterns with Wallace, due to extensive advertising and a reputation for quality. *Id.* at 342. In ruling on Wallace's claim, we loosely echoed the 1938 Restatement in articulating the line between aesthetic appeal and functionality:

> [W]here the features are "functional" there is normally no right to relief. "Functional" in this sense might be said to connote other than a trademark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.

Id. at 343 (internal citations omitted).

Applying that test, the china patterns were deemed "functional" because the "attractiveness and eye-appeal" of the design is the primary benefit that consumers seek in purchasing china. *Id.* at 343-44. Thus, Wallace's designs were not "mere arbitrary embellishment," but were at the heart of basic consumer demand for the product and could not be protected as trademarks.

Almost thirty years later, *Pagliero* was revived in a Ninth Circuit case involving an effort by the International Order of Job's Daughters to preclude a jewelry maker from selling jewelry bearing the Job's Daughters insignia. *See International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir.1980). Because the defendant's products bearing the Job's Daughters mark were sold "on the basis of their intrinsic value, not as a designation of origin or sponsorship," the defendant argued that they were functional under *Pagliero. Id.* at 918.

The court acknowledged that a "name or emblem" could, in some cases, "serve simultaneously as a functional component of a product and a trademark," and accordingly called for a "close analysis of the way in which [the defendant] is using the Job's Daughters insignia." *Id.* at 917-19. The court observed that Job's Daughters had submitted no evidence that the defendant's use of the mark either caused confusion as to source or was likely to do so and suggested that the emblem did not designate a source at all.[4]

4. The marks at issue in *Job's Daughters* were "collective marks," which are trademarks "used by the members of a cooperative, an association, or other collective group or organization, . . . and

(Cont'd)

Accordingly, the Job's Daughters insignia, as used by the defendant, was unprotected. *Id.* at 920.

Job's Daughters, with its collective mark, was a somewhat unique case and its broad language was soon clarified and narrowed. In *Vuitton*, we confronted bare counterfeiting of Louis Vuitton handbags with minor alterations to the familiar LV logo and fleur-de-lis insignia. 644 F.2d at 774. Not unlike Auto Gold here, the defendant argued that, under *Pagliero* and *Job's Daughters*, its use of the Vuitton marks was functional because the marks were "related to the reasons consumers purchase [the] product" and that without using the marks, it could not compete with Vuitton in selling Louis Vuitton-marked purses. We rejected these arguments. *Id.* at 773. First, the defendant's use of the Vuitton marks was not functional in a utilitarian sense. *Id.* at 776-77 ("Vuitton luggage without the distinctive trademark would still be the same luggage. It would carry the same number of items, last just as long, and be just as

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(Cont'd)

include [ ] marks indicating membership in a union, an association, or other organization." 15 U.S.C. § 1127. This explains, in part, why there was no likelihood of confusion. Because the Job's Daughters insignia was sold by numerous unlicensed jewelers, the possibility that consumers might think that it denoted source was insubstantial. *Accord Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co.*, 676 F.2d 1079, 1083 (5th Cir.1982) ("[T]here is no historical custom or practice—either as to fraternal jewelry or Rainbow jewelry—that would provide a reasonable basis for buyers of Rainbow jewelry to assume that such jewelry can only be manufactured with Rainbow's sponsorship or approval . . . [and] most fraternal associations exercise little control over the manufacture of jewelry bearing their fraternal emblems.").

serviceable."). Significantly, in *Vuitton*, we emphatically rejected the notion that "any feature of a product which contributes to the consumer appeal and saleability of the product is, as a matter of law, a functional element of that product." *Id.* at 773. Indeed, "a trademark which identifies the source of goods and incidentally services another function may still be entitled to protection." *Id.* at 775. Under *Vuitton*, the mere fact that the mark is the "benefit that the consumer wishes to purchase" will not override trademark protection if the mark is source-identifying. *Id.* at 774. With *Vuitton*, aesthetic functionality was dealt a limiting but not fatal blow; the case was remanded for trial. *Id.* at 776.

Since *Vuitton*, the Ninth Circuit has not directly revisited aesthetic functionality in the context of unique source-identifying trademarks. Several oft-quoted cases involving trade dress claims have criticized the doctrine. *See Clicks Billiards Inc. v. Sixshooters Inc.*, 251 F.3d 1252, 1260 (9th Cir.2001) ("Nor has this circuit adopted the 'aesthetic functionality' theory, that is, the notion that a purely aesthetic feature can be functional."); *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1382 n. 3 (9th Cir.1987) ("In this circuit, the 'aesthetic' functionality test has been limited, if not rejected, in favor of the 'utilitarian' functionality test.") (citations omitted).[5] Although a leading commentator

5. At least one earlier case explicitly excluded the application of *Pagliero* in the trade dress context, without comment as to its application outside of trade dress. *See Fabrica Inc. v. El Dorado Corp.*, 697 F.2d 890, 895 (9th Cir.1983) (noting "this court has specifically limited application of the *Pagliero* functionality test to product features and has refused to apply the test to cases involving trade dress and packaging").

described *Clicks Billiards* as "appear[ing] to mark the final end of the Ninth Circuit's fifty year flirtation with the aesthetic functionality theory," 1 *McCarthy on Trademarks and Unfair Competition* § 7:80 (4th ed.), the doctrine, albeit restricted over the years, retains some limited vitality.

The Supreme Court has yet to address aesthetic functionality as it applies to logos and insignia, in contrast to product features. The Court has, however, outlined the general contours of functionality and aesthetic functionality. As noted earlier, in *Inwood Laboratories*, the Court offered a simple definition of functionality: "a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." 456 U.S. at 850 n. 10, 102 S.Ct. 2182 (*citing Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122, 59 S.Ct. 109, 83 L.Ed. 73 (1938)).

More recently, in *Qualitex*, the Court considered whether a color (a distinctive green-gold used on dry cleaning press pads) could be protected as a trademark. Observing that color alone can meet the basic legal requirement for a trademark, namely that it acts "as a symbol that distinguishes a firm's goods and identifies their source," the Court concluded that the use of color as a trademark is not *per se* barred by the functionality doctrine. *Qualitex*, 514 U.S. at 165-66, 115 S.Ct. 1300 ("And, this latter fact—the fact that sometimes color is not essential to a product's use or purpose and does not affect cost or quality—indicates that the doctrine of 'functionality' does not create an absolute bar to the use of color alone as a mark"). The green-gold color of the dry cleaner pads served a trademark (i.e., source-identifying)

function. Additionally, the use of *some* color on the pads served a non-trademark function—namely, to "avoid noticeable stains." *Id.* at 166, 115 S.Ct. 1300. The Court underscored, however, that functionality protects against a competitive disadvantage "unrelated to recognition or reputation." *Id.* at 169, 115 S.Ct. 1300. Accordingly, because "the [district] court found 'no competitive need in the press pad industry for the green-gold color, since other colors are equally usable,' " functionality did not defeat protection. *Id.* at 166, 115 S.Ct. 1300.[6]

The Court's most recent explication of aesthetic functionality is found in a case surprisingly not cited by the parties—*TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001). In *TrafFix*, a company that held an expired patent for a dual-spring road sign design argued that the visible appearance of the design constituted protectable trade dress. In considering whether the dual spring mechanism was a functional aspect of the product, the Court clarified *Qualitex's* emphasis on competitive necessity and the overall test for functionality. Rather than paraphrase the decision, and to be absolutely clear, we quote extensively from the passages that set out the appropriate inquiry for functionality.

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6. In contrast, an example of an aesthetic product feature the protection of which *would* hinder legitimate competition is the use of color to signify the type of medication in pills—the question addressed in *Inwood Laboratories. See* 456 U.S. at 853, 102 S.Ct. 2182 (noting that "[s]ome patients commingle medications in a container and rely on color to differentiate one from another").

The Supreme Court emphasized that *Qualitex* did not displace the traditional *Inwood Laboratories* utilitarian definition of functionality. " '[I]n general terms, a product feature is functional,' and cannot serve as a trademark, 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.' " *TrafFix*, 532 U.S. at 32, 121 S.Ct. 1255 (*quoting Qualitex*, 514 U.S. at 165, 115 S.Ct. 1300); *see also Inwood Labs.*, 456 U.S. at 850 n. 10, 102 S.Ct. 2182. The Court noted that *Qualitex* "expand[ed] upon" the *Inwood Laboratories* definition, by observing that "a functional feature is one the 'exclusive use of[which] would put competitors at a significant non-reputation-related disadvantage.' " *TrafFix*, 532 U.S. at 32, 121 S.Ct. 1255 (*quoting Qualitex*, 514 U.S. at 165, 115 S.Ct. 1300) (alteration in original).

The Court explained the interplay between these two statements of functionality. If a feature is functional under *Inwood Laboratories*, the inquiry ends and the feature cannot be protected under trademark law. *Id.* As the Court elaborated, "there is no need to proceed further to consider if there is a competitive necessity for the feature." *Id.* at 33, 121 S.Ct. 1255. Thus, in *TrafFix*, once the dual-spring mechanism met the traditional functionality test by making the signs more wind resistant, "there [was] no need to proceed further to consider if there is competitive necessity for the feature" and likewise no need "to engage . . . in speculation about other design possibilities." *Id.* at 33, 121 S.Ct. 1255.

By contrast, the Court went on to suggest that "[i]t is proper to inquire into a 'significant non-reputation-related disadvantage' in cases of aesthetic functionality, the question

involved in *Qualitex*." *Id.* The Court described aesthetic functionality as "the central question [in *Qualitex*], there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality." *Id.*[7]

As to functionality, we read the Court's decision to mean that consideration of competitive necessity may be an appropriate but not necessary element of the functionality analysis. If a design is determined to be functional under the traditional test of *Inwood Laboratories* there is no need to go further to consider indicia of competitive necessity, such as the availability of alternative designs. *Accord Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1275-76 (Fed.Cir. 2002). However, in the context of aesthetic functionality, such considerations may come into play because a "functional feature is one the 'exclusive use of [which] would put competitors at a significant non-reputation related disadvantage.' " *TrafFix*, 532 U.S. at 32, 121 S.Ct. 1255 (quoting *Qualitex*, 514 U.S. at 165, 115 S.Ct. 1300); *see also Dippin' Dots, Inc. v. Frosty Bites Distrib., L.L.C.*, 369 F.3d 1197, 1203 (11th Cir.2004); *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 356 (5th Cir.2002).

7. The Court's treatment of *Qualitex* in *TrafFix* has caused some consternation among commentators. *See, e.g.*, 1 *McCarthy on Trademark and Unfair Competition* § 7.80 (4th ed.) (describing as "amazing and incomprehensible" the statement in *TrafFix* "that in the 1995 *Qualitex* case, 'aesthetic functionality was the central question.' "); Jerome Gilson, *Trademark Protection and Practice* § 2A.04[5][b] (2006) ("The Supreme Court was incorrect in *TrafFix* to declare that aesthetic functionality was the 'central question' in the *Qualitex* case. The central question in *Qualitex* was whether color alone could serve as a valid trademark.").

B. Aesthetic Functionality and Auto Gold's Use of Volkswagen and Audi's Products

So where do we stand in the wake of forty years of trademark law scattered with references to aesthetic functionality? After *Qualitex* and *TrafFix*, the test for functionality proceeds in two steps. In the first step, courts inquire whether the alleged "significant non-trademark function" satisfies the *Inwood Laboratories* definition of functionality—"essential to the use or purpose of the article [or] affects[its] cost or quality." *TrafFix*, 532 U.S. at 32-33, 121 S.Ct. 1255 (*citing Inwood Laboratories*, 456 U.S. at 850, n. 10, 102 S.Ct. 2182). If this is the case, the inquiry is over—the feature is functional and not protected.[8] *TrafFix*, 532 U.S. at 33, 121 S.Ct. 1255. In the case of a claim of aesthetic functionality, an alternative test inquires whether protection of the feature as a trademark would impose a significant non-

8. Our long-standing test for functionality largely excluded aesthetic considerations, instead asking: (1) whether the feature delivers any utilitarian advantage, (2) whether alternative designs are possible, (3) whether advertising touts utilitarian benefits of the feature, and (4) whether the feature results in economies in manufacture or use. *See Disc Golf Ass'n v. Champion Discs, Inc.*, 158 F.3d 1002, 1006-09 (9th Cir.1998) (applying the four factors to conclude that the design of disc golf holes was utilitarian). Following *TrafFix*, we reiterated the *Disc Golf* factors as legitimate considerations in determining whether a product feature is functional. *Talking Rain Beverage Co. v. South Beach Beverage Co.*, 349 F.3d 601, 603-04 (9th Cir.2003) (applying the four factors to conclude that a bottle design was utilitarian). We noted that "the existence of alternative designs cannot negate a trademark's functionality," but "may indicate whether the trademark itself embodies functional or merely ornamental aspects of the product." *Id.* at 603.

reputation-related competitive disadvantage. *Id.; and see also Qualitex*, 514 U.S. at 165, 115 S.Ct. 1300.

We now address the marks at issue in this case. Volkswagen and Audi's trademarks are registered and incontestable, and are thus presumed to be valid, distinctive and non-functional. *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 868-69 (8th Cir.1994). Auto Gold, thus, must show that the marks are functional under the test set forth above. To satisfy this requirement, Auto Gold argues that Volkswagen and Audi trademarks are functional features of its products because "the trademark is the feature of the product which constitutes the actual benefit the consumer wishes to purchase." While that may be so, the fact that a trademark is desirable does not, and should not, render it unprotectable. Auto Gold has not shown that Volkswagen and Audi's marks are functional features of Auto Gold's products. The marks are thus entitled to trademark protection.

At the first step, there is no evidence on the record, and Auto Gold does not argue, that Volkswagen and Audi's trademarks are functional under the utilitarian definition in *Inwood Laboratories* as applied in the Ninth Circuit in *Talking Rain. See* 349 F.3d at 603-04. That is to say, Auto Gold's products would still frame license plates and hold keys just as well without the famed marks. Similarly, use of the marks does not alter the cost structure or add to the quality of the products.

We next ask whether Volkswagen and Audi's marks, as they appear on Auto Gold's products, perform some function such that the " 'exclusive use of [the marks] would put

competitors at a significant non-reputation-related disadvantage.' " *TrafFix*, 532 U.S. at 32, 121 S.Ct. 1255 (*quoting Qualitex*, 514 U.S. at 165, 115 S.Ct. 1300). As an initial matter, Auto Gold's proffered rational—that the trademarks "constitute[ ] the actual benefit the consumer wishes to purchase"—flies in the face of existing caselaw. We have squarely rejected the notion that "any feature of a product which contributes to the consumer appeal and saleability of the product is, as a matter of law, a functional element of that product." *Vuitton*, 644 F.2d at 773. Such a rule would eviscerate the very competitive policies that functionality seeks to protect. This approach is consistent with the view of our sister circuits. *See e.g.*, *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 539 (5th Cir.1998) ("To define functionality based upon commercial success . . . does not promote innovation, nor does it promote competition.") *superceded on other grounds as recognized in Eppendorf-Netheler-Hinz*, 289 F.3d at 356; *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 341-43 (7th Cir.1985); *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825 (3d Cir.1981) ("The difficulty with accepting such a broad view of aesthetic functionality, which relates the doctrine to the commercial desirability of the feature at issue without consideration of its utilitarian function, is that it provides a disincentive for development of imaginative and attractive design. The more appealing the design, the less protection it would receive.").

Even viewing Auto Gold's position generously, the rule it advocates injects unwarranted breadth into our caselaw. *Pagliero*, *Job's Daughters*, and their progeny were careful to prevent "the use of a trademark to monopolize a design feature which, *in itself and apart from its identification of*

source, improves the usefulness or appeal of the object it adorns." *Vuitton*, 644 F.2d at 774 (*discussing Pagliero*, 198 F.2d 339) (emphasis added). The concept of an "aesthetic" function that is non-trademark-related has enjoyed only limited application. In practice, aesthetic functionality has been limited to product features that serve an aesthetic purpose wholly independent of any source-identifying function. *See Qualitex*, 514 U.S. at 166, 115 S.Ct. 1300 (coloring dry cleaning pads served nontrademark purpose by avoiding visible stains); *Publications Int'l, Ltd. v. Landoll, Inc.*, 164 F.3d 337, 342 (7th Cir.1998) (coloring edges of cookbook pages served nontrademark purpose by avoiding color "bleeding" between pages); *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1532 (Fed.Cir.1994) (color black served nontrademark purpose by reducing the apparent size of outboard boat engine); *Pagliero*, 198 F.2d at 343 (china patterns at issue were attractive and served nontrademark purpose because "one of the essential selling features of hotel china, if, indeed, not the primary, is the design").

It is difficult to extrapolate from cases involving a true aesthetically functional feature, like a box shape or certain uses of color, to cases involving well-known registered logos and company names, which generally have no function apart from their association with the trademark holder. The present case illustrates the point well, as the use of Volkswagen and Audi's marks is neither aesthetic nor independent of source identification. That is to say, there is no evidence that consumers buy Auto Gold's products solely because of their "intrinsic" aesthetic appeal. Instead, the alleged aesthetic function is indistinguishable from and tied to the mark's source-identifying nature.

By Auto Gold's strident admission, consumers want "Audi" and "Volkswagen" accessories, not beautiful accessories. This consumer demand is difficult to quarantine from the source identification and reputation-enhancing value of the trademarks themselves. *See Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1030-31 (9th Cir.2004) ("Nothing about the marks used to identify [the trademark holder's] products is a functional part of the design of those products. . . . The fact that the marks make [the junior user's product] more functional is irrelevant."). The demand for Auto Gold's products is inextricably tied to the trademarks themselves. *See Qualitex*, 514 U.S. at 170, 115 S.Ct. 1300 (identifying "legitimate (*nontrademark-related*) competition" as the relevant focus in determining functionality) (emphasis added).[9] Any disadvantage Auto Gold claims in not being able to sell Volkswagen or Audi marked goods is tied to the reputation and association with Volkswagen and Audi.

In the end, we take comfort that the doctrine of aesthetic functionality, as we apply it in this case, has simply returned from whence it came. The 1938 Restatement of Torts includes this reminder of the difference between an aesthetic function and a trademark function:

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9. Auto Gold complains that if precluded from using the famous marks, it would be unable to compete in the market for auto accessories bearing Volkswagen and Audi's marks. This argument is just another way of saying "If I can't trade on your trademark, I can't compete." But this argument has no traction here because the mark is not a functional feature that places a competitor at a "significant non-reputation-related advantage." *TrafFix*, 532 U.S. at 33, 121 S.Ct. 1255.

Appendix A

> A feature which merely associates goods with a particular source may be, like a trade-mark or trade name, a substantial factor in increasing the marketability of the goods. But if that is the entire significance of the feature, it is non-functional; for its value then lies only in the demand for goods associated with a particular source rather than for goods of a particular design.

Restatement of Torts § 742, comment a (1938). Volkswagen and Audi's trademarks undoubtedly increase the marketability of Auto Gold's products. But their "entire significance" lies in the demand for goods bearing those non-functional marks. Today, as in 1938, such poaching is not countenanced by the trademark laws.

We hold that Volkswagen and Audi's marks are not functional aspects of Auto Gold's products. These marks, which are registered and have achieved incontestable status, are properly protected under the Lanham Act against infringement, dilution, false designation of source and other misappropriations.

II. Volkswagen and Audi's Infringement Claim

Although we conclude that Volkswagen and Audi's registered trademarks are not "functional," and thus are protectable, it remains to be determined whether Auto Gold is infringing those marks. *Cf. KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117, 125 S.Ct. 542, 160 L.Ed.2d 440 (2004) (although mark was protected, "the [markholder]'s success is still subject to 'proof of

infringement' "). The district court concluded that "[w]hile [Volkswagen and Audi] have attempted to make a prima facie case of trademark infringement and dilution of their mark, this situation does not rise to that level." Operating on the premise that the Volkswagen and Audi marks were unprotectable under the doctrine of aesthetic functionality, the district court erroneously concluded Volkswagen and Audi "offered insufficient evidence to show that there is a question of material fact that might lead a fact-finder to conclude that infringement of their trademarks occurred." In particular, the district court resolved that Volkswagen and Audi "failed to offer any evidence that would have a tendency to show that there is a likelihood of or any actual confusion in the minds of consumers."

The court then granted Auto Gold's motion for partial summary judgment and denied Volkswagen and Audi's motion for summary judgment which included a claim for infringement. The court declared that Auto Gold's use of the marks on its products was neither trademark infringement nor trademark counterfeiting, and enjoined Volkswagen and Audi from asserting any trademark rights against Auto Gold. In doing so, the district court appeared to merge the aesthetic functionality analysis and the likelihood of confusion analysis as to infringement, but nonetheless based its judgment on both issues. These are distinct inquiries and thus we consider infringement on appeal.

Volkswagen and Audi seek protection under § 1114(1)(a), which provides civil penalties against:

> Any person who shall, without consent of the [registered owner] . . . use in commerce any

> reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

It is undisputed that Volkswagen and Audi own the registered trademarks at issue, and that Auto Gold uses those trademarks in commerce, without their consent, and in connection with the sale of goods. Thus, as with many infringement claims, the central issue is whether Auto Gold's use of the marks is "likely to cause confusion" within the meaning of the Lanham Act.

Before us on appeal are the parties' cross-motions for summary judgment on the issue of trademark infringement, and in particular, the district court's determination that Volkswagen and Audi had not offered any evidence showing a likelihood of confusion. We review de novo the district court's decision on summary judgment. *Clicks Billiards*, 251 F.3d at 1257.

Because the likelihood of confusion is often a fact-intensive inquiry, courts are generally reluctant to decide this issue at the summary judgment stage. *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 901-02 (9th Cir.2002). However, in cases where the evidence is clear and tilts heavily in favor of a likelihood of confusion, we have not hesitated to affirm summary judgment on this point. *See, e.g., Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1019 (9th Cir.2004) (affirming summary judgment where the marks

were "legally identical," the goods at issue were related, and the marketing channels overlapped). As part of our de novo review, we conclude as a matter of law that likelihood of confusion is clear cut here and that Volkswagen and Audi have made out a prima facie case of infringement. We do not direct judgment on this issue, however, because the district court reserved judgment on Auto Gold's defense of "first sale." The case must be remanded for consideration of Auto Gold's defenses.

A "[l]ikelihood of confusion 'exists when customers viewing [a] mark would probably assume that the product or service it represents *is associated with the source* of a different product or service identified by a similar mark.' " *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 845 (9th Cir.1987) (*quoting Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1243 (9th Cir.1984)). The Ninth Circuit employs an eight-factor test (the " *Sleekcraft* " factors) to determine the likelihood of confusion: (1) strength of the mark(s); (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels; (6) degree of consumer care; (7) defendant's intent; (8) likelihood of expansion. *Surfvivor Media, Inc. v. Survivor Productions*, 406 F.3d 625, 631 (9th Cir.2005); *see also AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir.1979). These elements are not applied mechanically; courts may examine some or all of the factors, depending on their relevance and importance. *See Surfvivor*, 406 F.3d at 631; *Thane Int'l*, 305 F.3d at 901 ("The list of factors is not a score-card—whether a party wins a majority of the factors is not the point. Nor should the factors be rigidly weighed; we do not count beans.") (internal punctuation and citations omitted).

Appendix A

This case presents an easy analysis in terms of likelihood of confusion. The Volkswagen and Audi marks, which are registered and have been in use for more than fifty years, are strong, distinctive marks, the first factor in the *Sleekcraft* analysis. Auto Gold's products, which incorporate *exact* copies of those marks, compete with accessories sold by Volkswagen and Audi through their licensed marketers, and are related[10] to Volkswagen and Audi's primary goods—cars. Although Volkswagen and Audi license their marks to third parties, and Auto Gold sells its products to the wholesale market, the ultimate consumers are the same. In fact, according to Auto Gold, it is a very specific sub-group of consumers that wants either Auto Gold's or Volkswagen and Audi's accessories—Audi or Volkswagen car owners who want accessories to match their cars. Thus, in addition to being related products bearing identical marks, the products at issue are destined for the same buyers.

We turn next to the degree of consumer care. Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items. In evaluating this factor, we consider "the typical buyer exercising ordinary caution." *Sleekcraft*, 599 F.2d at 353. The class of products Auto Gold sells are relatively inexpensive and unsophisticated, and do not require a great deal of precision or care to fulfill their purpose. This factor favors Volkswagen and Audi.

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10. "Related goods are 'products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.' " *Sleekcraft*, 599 F.2d at 348 n. 10 (*quoting Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 37 (2d Cir.1945)).

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Evaluation of Auto Gold's intent in using the mark is the seventh factor. "When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived." *Id.* at 354. Auto Gold knowingly and intentionally appropriated the exact trademarks of Volkswagen and Audi. Auto Gold argues, however, that it does not "intend" to deceive the public as to the source of the goods, but merely sought to fill a market demand for auto accessories bearing the marks. This argument is simply a recasting of aesthetic functionality. Even if we credit Auto Gold's proffered lack of intent, the direct counterfeiting undermines this argument. This factor tips against Auto Gold.

Finally, we examine the factor that is hotly contested by the parties—evidence of actual confusion. Despite the debate, there is no material issue of fact. The district court correctly noted that Volkswagen and Audi offered no evidence of actual confusion. The question, then, is what is the legal significance of this uncontested fact?

As we noted in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, "[t]he failure to *prove* instances of actual confusion is *not* dispositive against a trademark plaintiff, because actual confusion is hard to prove; difficulties in gathering evidence of actual confusion make its absence generally unnoteworthy." 174 F.3d 1036, 1050 (9th Cir.1999). In this case, which involves a national market and a low degree of consumer care, nothing suggests that the lack of evidence of confusion should be particularly noteworthy. *Compare Cohn v. Petsmart, Inc.*, 281 F.3d 837, 842-43 (9th Cir.2002) (ascribing some significance to the

lack of evidence of confusion where "the parties used the same trademark in the same city for six years," and the product at issue, veterinary services, was one for which consumers are "particularly attentive.").

Auto Gold suggests that the disclaimers on its packaging dispel any potential for confusion. Courts have been justifiably skeptical of such devices—particularly when exact copying is involved. *See*, *e.g.*, *Pebble Beach*, 155 F.3d at 543 (upholding lower court determination that disclaimers were "inadequate where present and . . . absent from the majority of advertisements and promotional materials"), *superseded on other grounds as recognized in Eppendorf-Netheler-Hinz*, 289 F.3d at 356; *Int'l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1093 (7th Cir.1988) ("[W]here the infringement in issue is a verbatim copying . . . plaintiff's reputation and goodwill should not be rendered forever dependent on the effectiveness of fineprint disclaimers often ignored by consumers.").

Even if disclaimers may in some cases limit the potential for confusion, here they do not. Auto Gold's disclaimers were neither consistent nor comprehensive. We note, preliminarily, that the effectiveness of these disclaimers is undercut by their sometimes contradictory messages. For example, some labels placed on the cardboard inner lining of the license plate covers state that the product "may or may not" be dealer approved. Visible through the clear cellophane outer wrapping, these disclaimers are sometimes next to disclaimers stating "[t]his product is not endorsed, manufactured, or licensed by the vehicle manufacturer." There are also messages on Auto Gold's website that identify

their products generally as "Factory authorized licensed products."

More importantly, "[t]he law in the Ninth Circuit is clear that 'post-purchase confusion,' *i.e.*, confusion on the part of someone other than the purchaser who, for example, simply sees the item after it has been purchased, can establish the required likelihood of confusion under the Lanham Act." *Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc.*, 285 F.3d 848, 854 (9th Cir.2002); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 822 (9th Cir.1980) (affirming a finding of infringement against a jeans maker, and noting that "point of sale materials [such as disclaimers] are removed by the purchaser and have no confusion-obviating effect when the pants are worn").[11] Shorn of their disclaimer-covered packaging, Auto Gold's products display no indication visible to the general public that the items are not associated with Audi or Volkswagen. The disclaimers do nothing to dispel post-purchase confusion.

In sum, Volkswagen and Audi do not present evidence of actual confusion. Neither, however, does Auto Gold present evidence that the disclaimers have any effect. At best, the confusion factor is in equipoise.

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11. This definition of confusion reflects the 1962 amendments to § 1114 that broadened the definition of actionable confusion to include non-purchasers (such as those seeing an item of clothing on the street), through deletion of language that limited such confusion to "purchasers as to the source or origin of such goods or services." Pub.L. 87-772 (1962). *See Karl Storz*, 285 F.3d at 854.

In the final analysis, we must consider the *Sleekcraft* factors as a whole to determine whether a likelihood of confusion results from Auto Gold's use of the marks. Although we do not bean count, it is significant that six of the eight *Sleekcraft* factors support a likelihood of confusion; the remaining two are either neutral or irrelevant.[12] Most importantly, the strength of Volkswagen and Audi's marks, Auto Gold's intentional and exact copying of the marks, and the direct competition for a specific and limited consumer group, all weigh heavily in favor of a likelihood of confusion. Our *Sleekcraft* analysis benefits from a record developed through lengthy discovery, and the key facts are undisputed. Volkswagen and Audi have established a prima facie "exclusive right to use the . . . mark in commerce." 15 U.S.C. § 1115(b). Accordingly, we reverse the district court's denial of summary judgment in favor of Volkswagen and Audi on the issue of infringement and remand for consideration of the "first sale" defense and any other related claims or defenses.

III. Other Claims

The district court dismissed various of Volkswagen and Audi's counterclaims with prejudice, some because the parties stipulated to their dismissal. Among the counterclaims dismissed was the dilution claim. The procedural history

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[12] 12. The final factor, "[a] likelihood of expansion in product lines," warrants no discussion as it is "relatively unimportant where two companies already compete to a significant extent." *Brookfield Commc'ns*, 174 F.3d at 1060. The record reflects that Volkswagen and Audi compete through their licensees with Auto Gold with respect to the products at issue in this suit.

surrounding this claim is murky. The district court found that Volkswagen and Audi had agreed not to litigate the claim even though the parties briefed and argued the issue on summary judgment. Nonetheless, the court denied Volkswagen and Audi's motion for leave to amend because the amendment would be futile. Because the denial of this motion was predicated in large part on the court's misapprehension of the application of aesthetic functionality, we reverse the dismissal of the dilution claim.

We reverse the district court's April 7, 2003 order granting Auto Gold's Motion for Partial Summary Judgment and denying Volkswagen and Audi's Motion for Summary Judgment, vacate the May 17, 2003 Order Granting Declaratory and Injunctive Relief, reverse the June 11, 2003 Order Denying Volkswagen and Audi's Motion for Clarification and for Leave to Amend with respect to the dilution claim, vacate all other aspects of the June 11, 2003 Order, and reverse judgment in favor of Auto Gold.

REVERSED, VACATED and **REMANDED** for further proceedings consistent with this opinion, including our determination that Volkswagen and Audi have established a prima facie case with respect to infringement.

APPENDIX B — JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA FILED MAY 17, 2004

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA

Case No. CIV 01-162-TUC-WDB

Au-TO MOTIVE GOLD, INC.,

Plaintiff,

vs.

VOLKSWAGEN OF AMERICA, INC., et al.,

Defendants.

JUDGMENT IN A CIVIL CASE

DECISION BY COURT. This action came under consideration before the Court. The issues have been considered and a decision has been rendered.

IT IS ORDERED AND ADJUDGED that the Plaintiff's motion for declaratory and injunctive relief is GRANTED.

IT IS FURTHER ORDERED that the request for attorney's fees and costs is DENIED.

5/14/04
Date

Appendix B

RICHARD H. WEARE
CLERK

s/ Marisa Harris
(By) Marisa Harris, Deputy Clerk

APPENDIX C — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA, TUCSON DIVISION FILED MAY 17, 2004

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA
– TUCSON DIVISION

NO. CIV 01-162-TUC-WDB

Consolidation of: USDC for Arizona Case No. CIV 01-508 TUC WDB & USDC for Arizona Case No. CIV 01-162 TUC JCC

Au-TOMOTIVE GOLD, INC.

Plaintiff/
Counterdefendant,

vs.

VOLKSWAGEN OF AMERICA, INC.;
AUDI OF AMERICA, INC.;
VOLKSWAGEN ARTIENGESELLSCHAFT;
AUDI AKTIENGESELLSCHAFT;
AND CONTINENTAL ENTERPRISES

Defendants/
Counterclaimants

Appendix C

ORDER GRANTING DECLARATORY AND INJUNCTIVE RELIEF AGAINST VOLKSWAGEN OF AMERICA, INC., VOLKSWAGEN AKIENGESELLSCHAFT, AUDI AKTIENGESELLSCHAFT, AND MANDERS DETECTIVE AGENCY, INC. DBA CONTINENTAL ENTERPRISES

Assigned to:
Hon. William D. Browning

In accordance with the Orders of this Court dated April 7, 2003 and June 10, 2003, and the parties' arguments and evidence as to the matters set forth below,

IT IS HEREBY ORDERED:

A. The license plates, license plate frames and key chains displaying Volkswagen and Audi trademarks manufactured and sold by Au-TOMOTIVE GOLD, Inc. ("AGI") are not trademark infringements and/or trademark counterfeiting.

B. It is the right of AGI and its customers to continue their business in the manufacture and/or marketing, distribution and sale of such license plates, license plate frames and key chains without any further action, threat or [sic] Inc., Volkswagen Aktiengesellschaft, Audi Aktiengesellschaft and Manders detective Agency, Inc. dba Continental Enterprises or anyone claiming through such defendants on account of such trademarks;

Appendix C

C. Volkswagen of America, Inc., Volkswagen Aktiengesellschaft, Audi Aktiengesellschaft, Manders Detective Agency, Inc. dba Continental Enterprises and all of their directors, officers, employees, agents, attorneys and all those acting or purporting to act on their behalf (collectively "defendants") shall forever cease and desist from:

1. asserting, threatening or otherwise relying upon Volkswagen or Audi trademarks as a basis for a claim of trademark infringement or trademark counterfeiting against Au-TOMOTIVE GOLD, Inc. ("AGI") or its direct or indirect customer;

2. communicating with AGI or AGI's direct or indirect customers any action or threat of action including but not limtited to cease and desist communications, requests for compensation or any other kind of action, threat or interference relating to or arising from the trademarks or trade dress of Volkswagen of America, Inc., Volkswagen Aktiengesellschaft or Audi Aktiengesellschaft in connection with AGI's license plates, license plate frames or key chains displaying Volkswagen or Audi trademarks;

D. Volkswagen of America, Inc. and Manders Detective Agency, Inc. dba Continental Enterprises shall serve upon each of their directors, officers, employees, agents or attorneys who participate in their trademark enforcement activities a copy of this Order within forty-five (45) days of entry thereof and provide the Court and counsel for AGI certification of such service including a list of the names and addresses of persons and their job titles upon whom such service was made.

E. Volkswagen of America, Inc. shall serve a copy of this Order upon each person or business entity with whom or which defendants or any of them have sent cease and desist correspondence regarding AGI or license plates, license plate frames or key chains appearing to have been marketed, distributed or sold by AGI within forty-five (45) days of entry thereof and provide the Court and counsel for AGI certification of such service including a list of the names and addresses of the persons and business entities upon whom such service was made.

DATED this 13 day of May, 2003.

s/ William D. Browning
William D. Browning
Senior United States District Judge

APPENDIX D — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA FILED JUNE 11, 2003

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA

No. CIV 01-162-TUC-WDB

Au-TOMOTIVE GOLD, INC.,

Plaintiff,

vs.

VOLKSWAGEN OF AMERICA, INC., et al.,

Defendant.

ORDER

This case was originally filed as two cases, the first by Plaintiff Au-Tomotive Gold ("AGI") (Civ 01-162-TUC) for declaratory judgment and the second by Defendants Volkswagen and Audi ("VW") (Civ 01-508-TUC) on eight claims revolving around an alleged infringement of VW's trademarks. The cases were consolidated under the more senior case (Civ 01-162-TUC), resulting in an odd procedural posture and a variety of claims and counter claims, This Court heard the parties' Motions for Summary Judgment and issued an Order on April 7, 2003, finding that the use of Defendant's trademarked logos was not infringing because the use was for the marks' "aesthetic functionality" rather than to

designate a place of origin for a product. The Court then requested that the parties brief it on any remaining issues. That briefing is pending before the Court, as is Defendants' Motion for Reconsideration, Defendants' Motions for Clarification and for Leave to Amend Complaint and Scheduling Order to include a claim for trademark dilution, and Plaintiff's Motion for attorneys' fees and non-taxable expenses.

I. MOTION FOR RECONSIDERATION

Defendants' Motion for Reconsideration is denied.

II. TRADEMARK DILUTION

A. *The Claims and Counterclaims*

The parties dispute whether Defendants have made an express claim of trademark dilution and whether, if they have not, Defendants may amend their pleadings to include such a claim. Plaintiff argues that such an amendment would be futile.

Plaintiff filed six claims in its Complaint on April 19, 2001; (1) requesting declaratory judgment that its products do not infringe on Defendants' trademarks and an injunction to prevent Defendants from claiming that they do; (2) requesting declaratory judgment and an injunction regarding the issue of trademark counterfeiting under Arizona law; (3) requesting declaratory judgment and an injunction regarding unfair competition; (4) requesting declaratory judgment and an injunction regarding trademark dilution;

(5) a claim of tortious interference with prospective economic advantage; and (6) a claim of trade libel and disparagement. Claims III (unfair competition) and IV (dilution) were dismissed without prejudice by the parties on January 8, 2002.

In their original Complaint in case Civ 01-508-TUC, Defendants made eight claims; (1) trademark infringement; (2) false designation of origin; (3) Arizona consumer fraud; (4) tortious interference with business expectancy; (5) trademark counterfeiting under Arizona law; (6) unfair competition; (7) unfair trade and competition under Arizona law; and (8) requesting a declaratory judgment regarding these claims. When the two cases were consolidated, Defendants answered Plaintiff's Complaint on June 1, 2001, and made the following counterclaims: (1) trademark infringement; (2) false designation of origin; (3) trademark dilution; (4) consumer fraud; (5) interference with contract; (6) interference with business expectancies; (7) trademark counterfeiting; and (8) declaratory judgment. Defendants then amended their counterclaims on August 3, 2001, to make claims of (1) false designation of origin; (2) unfair competition; (3) declaratory judgment; (4) tortious interference with contract; and (5) interference with business expectancies, It is unclear whether Defendants intended the Amended Counterclaims to secede its first Answer and Counterclaims or to supplement it.

It appears that Defendants' original counterclaim of trademark dilution was not carried over into their Amended Counterclaims and that the Plaintiff later dismissed its claim regarding the same, The Stipulation for Dismissal, drafted

by Defendants, states "[t]his dismissal is sought to simplify issues presented to the jury and for no other reason." Accordingly, the Court finds that the parties, by stipulation, agreed not to litigate the issue of trademark dilution.

B. *Motion for Clarification or Leave to Amend*

Defendants have requested that the Court clarify whether a claim exists on the issue of trademark dilution or, in the alternative, to grant them "leave to file . . . [a] First Amended Complaint." As stated above, the Court finds that the parties purposefully decided not to litigate the issue of trademark dilution, The decision to dismiss the claims involving dilution was "without prejudice" and, theoretically, the parties could decide at a later date to litigate them. However, a First Amended Complaint by the Defendants is not procedurally possible. Instead, Defendants must request leave to file second amended counterclaims, including the trademark dilution claim. The Court will construe Defendants' request as such.

C. *Futility of Amendment*

Notwithstanding the dubious propriety of reviving a claim that was dismissed by a stipulation drafted by the party requesting the amendment, the Court shall consider whether such an amendment is possible. Defendants have argued that the courts generally regard such requests liberally, particularly where they are made to conform the claims to the evidence presented. The parties did address dilution is their motions for summary judgment. Now Plaintiff has noted that an amendment would be futile, as Defendants cannot prove the claim.

Appendix D

A prima facie federal trademark dilution claim under 15 U.S.C. § 1127 requires the trademark bolder show that its trademark has either been weakened in its ability to identify a particular product or manufacturer ("blurring") or has been "tarnished" by association with lesser quality goods. The trademark holder must establish that (1) the senior mark is famous; (3) the senior mark is distinctive; (3) the junior use is a commercial use in commerce; (4) the junior use started after the senior mark became famous; and (5) the junior use must cause dilution of the distinctive quality of the senior mark. *See Nabisco, Inc. v. PF Brands, Inc.,* 191 F.3d 208, 215 (2nd Cir. 1999). In this case, the first four requirements can arguably be made by the Defendants. The fifth, whether the use by Plaintiff actually dilutes the "distinctive quality" of the mark is questionable.

Here, Plaintiff is not using a mark that is similar to Defendant's mark either to confuse the buyer of the origin of the goods or to gain a free ride on the reputation of Defendant for quality. They are not selling inferior cars with the Volkswagen logo plastered on them, nor are they selling shoes with the intention of fooling the public into believing that they are manufactured by Volkswagen, *See Viacom v. Ingram Enters., Inc.,* 141 F.3d 886, 888 (8th Cir. 1998) (the statute "creates a remedy against non-competing trademark uses such as DuPont shoes, Buick aspirin, and Kodak pianos.") Rather, Plaintiff is using logos, manufactured and sold by the trademark holder to create a secondary product that is likely to appeal to persons who have already purchased the trademark holder's product. As Plaintiff has argued, this use could be considered as enhancing rather than detracting from Defendants' mark.

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As the Court has previously found, Plaintiff's use of the trademarks is permissible under the aesthetic functionality doctrine, and is not infringing. Unless Defendants could show that Plaintiff's products are of inferior quality and leave an impression that Defendants manufactured them, the Plaintiff's uses of the trademarks do not dilute the trademarks. The Court has already established that Plaintiff has supplied sufficient notice to customers that the products are not manufactured by Defendants to prevent consumers from being confused by the source of Plaintiff's goods.

Accordingly, unless Defendants are prepared to present evidence showing actual dilution of their marks in the minds of consumers, they cannot make a claim of trademark dilution. As the Court has found that parties decided not to litigate this claim in January 2001, it would seem to be unfair to allow Defendants the additional time necessary for the discovery of such evidence.

The Motion for Leave to Amend is denied.

III. FIRST SALE DOCTRINE

Defendants have suggested that Court ought to enter a final, appealable order on the Plaintiff's argument that the "first sale" doctrine applies in this matter and is a defense to a claim of trademark infringement in order to avoid remand, should the Ninth Circuit not agree with the Court's decision based on the aesthetic functionality doctrine. The Court declines to consider this defense.

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IV. TORTIOUS INTERFERENCE AND TRADE LIBEL

In its Complaint, Plaintiff made claims of tortious interference with prospective economic advantage and trade libel and disparagement. Plaintiff has suggested in its briefing that summary judgment for Plaintiff should be granted as to these claims as well.

Plaintiff has not previously requested summary judgment on these claims, rather, Defendants argued in their Motion for Summary Judgment that Defendant Continental Enterprises' actions in attempting to prevent retailers from purchasing Plaintiff's products was permissible and neither tortious interference with business relationships or libel. Plaintiff argued in response that whether Defendants engaged in these torts was a fact question that should be placed before a jury.

Because the Court has not seen evidence that would suggest that there is no issue of material fact and Plaintiff has affirmatively argued that there are questions of fact concerning these claims, summary judgment is not appropriate and these claim survive.

V. MOTION FOR ATTORNEYS' FEES AND COSTS

The Motion for attorneys' fees and non-taxable costs is denied as premature, because claims remain to be resolved.

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VI. CONCLUSION

In accordance with the evidence presented by the parties in their Motions for Summary Judgment and the subsequent briefing,

IT IS HEREBY **ORDERED** that

1. Defendants' Counterclaims I (false designation of origin), II (unfair competition), III (declaratory judgment), and IV (interference with contract) are **DISMISSED** with prejudice;

2. Defendants' counterclaims not included in the First Amended Counterclaims (trademark infringement, trademark dilution, consumer fraud under A.R.S. § 44-1521, interference with business expectancies, and counterfeiting under A.R.S. § 44-1453) are **DISMISSED** with prejudice;

3. Plaintiff's request[1] for declaratory judgment and an injunction with respect to trademark infringement, counterfeiting, and its right to continue business (Claims I and II) is **GRANTED**;

4. Defendants' Motion for Reconsideration and Motion for Clarification or Leave to Amend are **DENIED**; and

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1. Plaintiff, in its briefing on remaining issues of April 19, 2001, stated that a declaration and injunction concerning unfair competition was necessary. However, this claim was dismissed by the parties on January 8, 2002.

5. Plaintiffs Motion for Attorneys' Fees and Non-Taxable Costs is **DENIED** as premature.

IT IS FURTHER **ORDERED** that the parties shall file a Joint Proposed Pretrial Order not later than 30 days after the filing of this Order on Plaintiffs Claims V and VI. In the alternative, the patties shall contact the Court to request a status conference no later than June 23, 2008.

DATED this 10 day of June, 2003.

s/ William D. Browning
William D. Browning
Senior United States District Judge

APPENDIX E — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA DATED AND FILED APRIL 7, 2003

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

No. CIV 01-162-TUC-WDB

AU-TOMOTIVE GOLD INC.,

Plaintiff,

vs.

VOLKSWAGEN OF AMERICA, INC., et al,,

Defendants.

ORDER

Pending before the Court is Plaintiff's Motion for Partial Summary Judgment and Defendants' Motions for Summary Judgment. The issues have been fully briefed and oral argument was heard on March 19, 2003. For the following reasons the Court GRANTS Plaintiff's Motion and DENIES Defendants' Motions.

I. FACTUAL AND PROCEDURAL BACKGROUND

Plaintiff, a Florida company doing business primarily in Arizona, makes license plate frames that include the Volkswagen ("VW") and Audi tradenames and trademarks. They also make decorative front license plates that contain

the trademark medallions. Plaintiff asserts that it buys the logos from authorized VW and Audi dealers, then affixes them to the plates. Plaintiff further asserts that it makes clear in its packaging that it is not affiliated with VW or Audi and that these are not licensed products.

BMW sued Plaintiff for trademark infringement for essentially the same activities using its mark, and won an injunction against Plaintiff. *BMW v. Au-Tomotive Gold, Inc.*, 1996 WL1609124 (M.D. Fla.). Plaintiff has, therefore, filed this claim for declarative relief in order to stave off a similar suit from VW.

Plaintiff's Complaint requests the following declarations: (1) Plaintiff has not infringed on Defendant's marks and that Plaintiff may continue its business; (2) Plaintiff has not engaged in trademark counterfeiting under 15 U.S.C. § 1114; (3) Plaintiff has not engaged in unfair competition under 15 U.S.C. § 1125(a) or the common law of Arizona; (4) Plaintiff has not engaged in trademark dilution under 15 U.S.C. § 1125(c) and similar state laws; (5) Defendants have wrongfully interfered with Plaintiff's prospective economic relationships; and (6) Defendants have libeled and/or disparaged Plaintiff

Primary among Plaintiff's arguments is that it is protected by the "First Sale Doctrine." This doctrine allows that where the accused infringer has properly purchased the trademarked item, repackages it, and gives the consumer adequate notice of the repackaging, no infringement has occurred. *See Prestonettes Inc. v. Cory*, 264 U.S. 359 (1924). Plaintiff also relies on the "aesthetic functionality" doctrine

that provides that when a trademark is used for its intrinsic "artistic" qualities, rather than to identify a particular product and its origin, the use is non-infringing. *See International Order of Job's Daughters v. Lindeburg,* 633 F.2d 912, 917 (9th Cir. 1980).

After Plaintiff had filed its Complaint, but before Defendants had Answered or entered an appearance, Plaintiff filed a Motion for Partial Summary Judgment. Defendants did not respond to the Motion, on the belief that it was improperly served by mail and that summary judgment was not appropriate, given the lack of discovery.

Because of the problems with the service of the Plaintiff's Motion for Partial Summary Judgment by mail before Defendant's had answered or entered an appearance in this case under Rule 5(a), Fed.R.Civ.P., the Court denied the Motion for Summary Judgment without prejudice. Plaintiff has Renewed its Motion for Partial Summary Judgment and Declaratory Relief. Defendant has also moved for summary judgment.

II. THE MOTIONS FOR SUMMARY JUDGMENT

A. Plaintiff's Motion for Partial Summary Judgment

Plaintiff has asked for partial summary and declaratory judgment on the following issues: (1) that the marquee license plates manufactured and sold by Plaintiff do not infringe Defendants' trademark and do not unfairly compete; and (2) that Plaintiff may continue its business.

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B. Defendants' Motion for Summary Judgment

Defendants ask for summary judgment and declaratory relief on the following: (1) their claims of infringement under the Lanham Act and common law, trademark dilution, and unfair competition; (2) that Plaintiff's use of the trademarks is a "counterfeit" use; (3) statutory damages under the Lanham Act for infringement; (4) attorney's fees; and (5) a permanent injunction against Plaintiff.

III. ANALYSIS

A. Summary Judgment Standard

Summary judgment is appropriate when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed.R.Civ.P. 56(c). The moving party bears the initial burden of establishing the absence of a genuine issue of material fact. *See Celotex Corp.* v. *Catrett*, 477 U.S. 317, 323-24 (1986). That burden may be met by showing that there is an absence of evidence to support the non-moving party's case. *See id.* at 325. A party opposing summary judgment, however, may not rest on its pleading. *See* Fed.R.Civ.P. 56(e). Instead, that party must set forth "by affidavit or as otherwise provided by [Rule 56] . . . specific facts showing that there is a genuine issue for trial." *Id.*; *see also Andersen v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986).

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Here, in its Motion for Partial Summary Judgment, Plaintiff asks the Court to find that there are no facts alleged by the parties that would allow the Court to find that there is dispute sufficient to go to trial on the issue of whether Plaintiff's actions infringed Defendants' trademarks. Defendants ask that the Court find that there is such evidence of infringement that it is unnecessary to go to trial on the issue and instead the Court can find that infringement has occurred. Given this procedural posture, the Court will consider whether sufficient evidence of infringement has been offered by Defendants.

B. Aesthetic Functional

While Defendants have attempted to make a prima facie case of trademark infringement and dilution of their mark, this situation does not rise to that level. The facts in this case are much too similar to those in *Job's Daughters*, and too different from the contrary cases, for a finding of infringement. Plaintiff's use of the trademark is protected under the "aesthetic functionality" doctrine and the Defendants have failed to offer any evidence that would have a tendency to show that there is a likelihood of or any actual confusion in the minds of consumers.

In *Job's Daughters*, the Ninth Circuit held that

> [T]he name 'Job's Daughters' and the Job's Daughters insignia are indisputably used to identify the organization, and members of Job's Daughters wear the jewelry to identify themselves as members. In that context, the insignia are

> trademarks of Job's Daughters. But in the context of this case, the name and emblem are functional aesthetic components of jewelry, in that they are being merchandised on the basis of their intrinsic value, not as a designation of origin or sponsorship.

Job's Daughters, 633 F.2d at 918. Such is the case here. The VW and Audi logos are used not because they signify that the license plate or key ring was manufactured or sold (i.e. as a designation of origin) by Volkswagen or Audi, but because there is a aesthetic quality to the marks that purchasers are interested in having.

The Ninth Circuit went on to hold that:

> [T]here is some danger that the consumer may be more likely to infer endorsement or sponsorship when the consumer is a member of the group whose collective mark or trademark is being marketed. Accordingly, a court must closely examine the articles themselves, the defendant's merchandising practices, and any evidence that consumers have actually inferred a connection between the defendant's product and the trademark owner.

Job's Daughters, 633 F.2d at 919. Here, Plaintiff has stated clearly on the packaging and on the actual product that the product is not manufactured or licensed by VW or Audi, that instead it was produced by Au-Tomotive Gold. Defendants have not offered any evidence of actual confusion.

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Defendants have raised the question of whether *Job's Daughters* is still good law. The case has not been reviewed by the Supreme Court, as *certiorari* was denied. In more recent cases the Ninth Circuit has stated that "the aesthetic functionality test has been limited, if not rejected." *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1382 n. 3 (9th Cir. 1987) (design and color of container for antifreeze). However, the cases in which aesthetic functionality has been rejected have been trade dress cases.

The case cited in *Fred Meyer* for the proposition that aesthetic functionality has been rejected, is *Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769 (9th Cir. 1980) (whether similar designs used on handbags and luggage was infringing). *Vuitton*, however, was decided at the same time as *Job's Daughters* and cites as authority the same case *Job's Daughters* did, *Pagliero v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952). In *Pagliero*, the court made a distinction between trademarks and functional features. Because the defendant in *Job's Daughters* was not using the mark for its ability to identify origin, but rather for its decorative effect, the use was not infringing. On the other hand, in *Vuitton*, it is clear that the manufacturer of the offending product had slightly modified the Vuitton mark and design features in order to create "knockoffs" of a well-known product. The intent was to either create confusion or borrow the cache of the Vuitton product.

Likewise, in the more recent cases cited by Defendants, trade dress has been at issue. *See Clicks Billiards Inc. v. Sixshooters Inc.*, 251 F.3d 1252 (9th Cir. 2001) (decorative details of pool halls). In all these cases the aesthetic qualities

at issue were being used to advertise and sell goods that were similar to those sold by the trademark holder. This is not the case here.

The only case truly similar to this one in this circuit is *Porsche AG v. Universal Brass, Inc.*, 1995 WL 420816 (W.D. Wash.), decided by Judge Coughenour. In this case, defendant was copying the Porsche logo for key chains, license plate frames, valve stem caps and paper weights. Rather than buy the logos from the manufacturer, defendant cast its own, including the encircled "R" in the logo. Defendant did not warn customers that the products were not manufactured or endorsed by Porsche. Plaintiff had evidence that there was actual confusion about the origin of the product. Judge Coughenour found that there was evidence sufficient to show that the products were infringing. The Judge went on to say that the situation was different between *Job's Daughter* and *Porsche*, as *Porsche* uses its mark in connection with the sale of goods, while the Job's Daughter's mark was merely an emblem to identify association or membership in an organization.

While under *Job's Daughters*, the actions of the defendant in *Porsche* can be found infringing because of the lack of warnings and evidence of actual confusion, the Court does not agree with the Judge's distinction between the organization and goods. Furthermore, the *Porsche* case has not been published and there is nothing that suggests definitively that *Job's Daughters* has been overturned when applied to this fact pattern.

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IV. CONCLUSION

Accordingly, the Court finds that Defendants have offered insufficient evidence to show that there is a question of material fact that might lead a fact-finder to conclude that infringement of their trademarks had occurred.

IT IS HEREBY **ORDERED** that Plaintiff's Motion for Partial Summary Judgment is **GRANTED** and that Defendants' Motion for Summary Judgment is **DENIED**.

IT IS FURTHER **ORDERED** that the parties each file a memorandum with the Court, no later than April 25, 2003, briefing any outstanding issues in this matter.

DATED this 7 day of April, 2003.

s/ William D. Browning
William D. Browning
Senior United States District Judge

APPENDIX F — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT DENYING PETITION FOR REHEARING FILED OCTOBER 26, 2006

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 04-16174

D.C. Nos. CV-01-00162-WDB
CV-01-00508-WDB

District of Arizona,
Tucson

AU-TOMOTIVE GOLD INC,

Plaintiff - Appellee,

v.

VOLKSWAGEN OF AMERICA, INC.;
AUDI OF AMERICA, INC;
VOLKSWAGEN AKTIENGESELLSCHAFT;
AUDI AKTIENGESELLSCHAFT,

Defendants - Appellants.

ORDER

Appendix F

Before: ALARCON and McKEOWN, Circuit Judges, and HOLLAND,* Chief District Judge.

The panel has voted to deny the petition for panel rehearing. Judge McKeown has voted to deny the petition for rehearing en banc and Judges Alarcon and Holland so recommend.

The full court has been advised of the petition for rehearing and rehearing en banc and no judge has requested a vote on whether to rehear the matter en banc. Fed. R. App. P. 35.

The petition for panel rehearing and the petition for rehearing en banc are denied.

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* The Honorable H. Russel Holland, Senior District Judge for the District of Alaska, sitting by designation.

APPENDIX G — RELEVANT STATUTES

15 U.S.C. § 1114

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be

entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125(a) or (d) of this title shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that

he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

15 U.S.C.A. § 1125

§ 1125. False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature,

characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(a) Importation

Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal

that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

15 U.S.C. § 1127

§ 1127. Construction and definitions; intent of chapter

In the construction of this chapter, unless the contrary is plainly apparent from the context—

The United States includes and embraces all territory which is under its jurisdiction and control.

The word "commerce" means all commerce which may lawfully be regulated by Congress.

The term "principal register" refers to the register provided for by sections 1051 to 1072 of this title, and the term "supplemental register" refers to the register provided for by sections 1091 to 1096 of this title.

The term "person" and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this chapter includes a juristic person as well as a natural person. The term "juristic person" includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law.

The term "person" also includes the United States, any agency or instrumentality thereof, or any individual, firm, or

corporation acting for the United States and with the authorization and consent of the United States. The United States, any agency or instrumentality thereof, and any individual, firm, or corporation acting for the United States and with the authorization and consent of the United States, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

The term "person" also includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The term "Director" means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

The terms "trade name" and "commercial name" mean any name used by a person to identify his or her business or vocation.

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The term "trademark" includes any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The term "service mark" means any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

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The term "certification mark" means any word, name, symbol, or device, or any combination thereof—

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter,

to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The term "collective mark" means a trademark or service mark—

(1) used by the members of a cooperative, an association, or other collective group or organization, or

(2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

and includes marks indicating membership in a union, an association, or other organization.

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The term "mark" includes any trademark, service mark, collective mark, or certification mark.

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

A mark shall be deemed to be "abandoned" if either of the following occurs:

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(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and Trademark Office under this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent and Trademark Office" means registered marks.

The term "Act of March 3, 1881", "Act of February 20, 1905", or "Act of March 19, 1920", means the respective Act as amended.

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A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

The term "domain name" means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

The term "Internet" has the meaning given that term in section 230(f)(1) of Title 47.

Words used in the singular include the plural and vice versa.

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.